

THE WHITE HOUSE

WASHINGTON

August 8, 1969

MEMORANDUM FOR

HONORABLE ROY L. ASH
CHAIRMAN
PRESIDENT'S ADVISORY COUNCIL ON
EXECUTIVE ORGANIZATION

I came away from that most pleasant evening at Blair House on July 17 with the feeling that we had not been especially responsive to the matters of greatest interest to you. I had the feeling that your group is much concerned with the executive-managerial responsibilities of the Presidency, and hence with the organization of the Executive Office of the Presidency. Neither I nor Mr. Hess would have much to offer you there. I see the office of the Presidency as primarily political. In consequence its organization will be idiosyncratic and shifting, reflecting the man and the politics of the time. Hence I tend to be concerned less with organization as such, and more with providing the President with the wherewithal of effective political leadership. But these are distinctions which will very likely suggest to you that I have simply never managed anything, which is indeed the case. I had best get on with my memorandum.

For what it may be worth, I have spelled out, somewhat, the six general points raised in my opening remarks, and have added two further ones.

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First, the budgetary system (which is to say the priority system) of the Executive branch must be reorganized so as to bring the military claims into more open competition with domestic claims. Until now the military has had almost a separate budget. This situation must change. Bob Mayo is changing it, and Secretary Laird is certainly helping him do so. But an organizational problem remains.

Obviously, many of us see this as an opportunity to get "more money for cities" and such, but that is not what worries me most. What worries me most is that very few persons with whom I have talked, especially among the military, seem to grasp that the present situation is becoming a threat to military effectiveness. The idea is abroad -- in conservative as well as radical circles -- that the Pentagon is out of control, that it consumes an ever greater portion of the budget (not true, of course) and that no one can thwart its mysterious will. This comes at a time of burgeoning political radicalism. A goodly portion of the intellectual elite of the universities, student and professor alike, have in recent years come to adopt a view of the United States (to quote the student newspaper of a Midwestern State college) as "the most repressive, inhumane capitalistic-imperialistic

nation the world has ever seen." Our military men don't believe that, nor indeed do I. What worries me, however, is that they seem to go on to the next proposition that if they don't believe it, no one does. Which is rather like saying those Apaches have no business up there on that ridge, and therefore we have no need to draw up the wagons in a circle for the night.

I would hope you might give some thought to this general situation. We need, among other things, to restore legitimacy to our military budget, to bring the nation to accept once again that the money was allocated by persons fully sensitive to the demands of domestic problems, but willing also to provide for the necessary and proper needs of defense. If we don't, we may end up one day without an Air Force, and sooner than anyone thinks.

Second, the Federal establishment urgently needs to develop reliable, replicable, and respected methods of program evaluation.

Viewed as a system, the greatest weakness in contemporary government -- at all levels -- is the inability to evaluate the results of programs undertaken. I give a double meaning to the term "inability." In the first instance, the techniques of evaluation are at an early, largely unformed state of development. A good deal of capital formation, as it were, has to be done. Organizations such as the Urban Institute,

the Russell Sage Foundation, and the RAND Corporation are in fact beginning this effort, albeit at a fairly low level of expenditure.

Much more investment is in order. A second meaning of "inability" refers to the almost total absence at the executive level of officials able to interpret complex evaluation studies, and to reach judgments concerning their validity and application. The Federal government may be likened to an immense corporation no one of whose general officers can read a balance sheet. Owing to the intimidating "win-lose" quality which surrounds many evaluation efforts -- "Head Start failed" -- and the relative immaturity of much of the methodology, almost any clear finding, especially in socially sensitive areas, is bound to be challenged. Because the executives in charge have no capacity to assess the controversy that follows, the typical end result is a situation like that of the airplane pilot with two compasses that do not agree. He cannot know which is telling the truth, and has to fly by the seat of his pants.

If this is a problem for the Executive Branch, it is even more so for the Congress, which now has almost no capacity for independent program evaluation. The result is an increasing imbalance in legislative-executive power. In 1966, in testimony before the Senate

Committee on Government Operations, I proposed the establishment of an Office of Legislative Evaluation, possibly to be located in the General Accounting Office, to carry out this function on a routine basis for the Congress. (I attach the statement I gave on the occasion.) Since that time, Congress, in the Economic Opportunity Act of 1967, has in fact directed the GAO to evaluate a program. I was disappointed in the results -- it seemed to me that those involved could not adequately formulate the statements concerning what would be success, what failure -- but it was a beginning.

The Commission might consider the establishment of an evaluation corps, but I would be more disposed simply to building the activity into the structure of all government operations. It may be the PPBS program has begun to do this, although I have been struck by the fact that in the first six months of the Administration I cannot recall a single item of PPBS information passing my desk. I. e., the system may be telling some people things they need to know, but none of those persons bothers to pass the information on, which suggests to me that it may not be all that persuasive.

I would especially urge your attention to the issue of equipping executives with the ability to handle this kind of information. A year

ago (to my cost) I wrote a short book on the misfortunes that beset the poverty program owing to the general inability, commencing in the Bureau of the Budget, of federal executives to follow the social science analysis behind the community action programs of OEO. (And also of the seeming inability, or unwillingness, of social scientists to make themselves understood. But that is another matter.) This is only a specific instance of a general situation. Social science analysis is becoming complex, and somewhat more useful. This raises for domestic departments the kinds of questions that arose when the State Department first had to deal with nuclear policy, or for that matter, when the President did. Neither the President, nor the Secretary of State, nor any of their principal assistants were physicists. Hence none was capable by himself of understanding the issues he had to decide. Gradually an interpreter function emerged. It was largely a one-way relationship: scientists interpreted their subject for the benefit of the political leaders. (And for their own. I suspect this relationship had something to do with the present excessive influence of physicists in American science.) But it worked. We have nuclear warheads. We have a Test Ban Treaty. We have had a man on the moon. This has not meant an end to scientific/ technological squabbles. When there is a close, split decision within

the scientific-technological community, as there is at present on Safeguard, the minority tends to act as do the "losers" in a Head Start evaluation. But in general the arrangement has been satisfactory. I know nothing of business, but must conclude that comparable developments have taken place in organizations such as Litton Industries, or A. T. & T. A similar development very much needs to be encouraged within the domestic departments of the Federal Government, always remembering how fragile social analysis must be. (If the Viet Cong didn't blow it up on their visit to the American Embassy during the Tet offensive, we might do well to give all Level V employees of the Federal Government a week's training on the computer that used to keep track of how many Vietnam hamlets we had pacified.)

A final note: it may be of interest to the Commission to know that at their meeting in London last spring Prime Minister Wilson and President Nixon agreed that their nations ought to seek areas of shared enquiry and development outside the usual areas of cooperation. The Home Minister, Mr. Callaghan, visited me in March and it was agreed that the evaluation of social programs was a primary interest of both governments and would be a proper area for such cooperation. It was arranged for British observers to attend a conference held on

this subject in Boston last May at the American Academy of Arts and Sciences, and a full-scale joint meeting will take place in Britain in October.

Third, the time has come for the transformation of the Civil Service System into an effective instrument of Presidential management.

It is now not that. The present system is a complex inheritance, reflecting many things, but not least the fear of politics. An historical sequence accounts for its development. First, the desire to insulate government management from the "corrupting" influences of urban immigrant politics. Next, the rise of theories of public administration that held that policy making and policy applying are separate activities that could be compartmentalized in government structure. This worked well enough in the earlier period when government was not seeking to apply all that many policies anyway. Later the exigencies of the depression and of World War II brought to government service cadres of executives closely attuned to policy matters, and especially responsive to Presidential leadership. Thus, in a sense, the inadequacies of the civil service system did not become critical during its first sixty years or so. I do not know, I certainly cannot demonstrate, but I have the strongest feeling that this period is now over. The inherent incapacity of the system to respond to Presidential leadership is beginning to be a serious problem for the President himself.

I have taken part in four executive transitions (Dewey-Harriman, 1955; Eisenhower-Kennedy, 1961; Kennedy-Johnson, 1963; Johnson-Nixon, 1969) and have become increasingly preoccupied with the time and effort each new administration must take to acquire some direction of its top bureaucracy, and the general lack of success of such efforts. I don't know how widely this is perceived or accepted as an idea. But I have become obsessed with the subject. President Nixon is trying to create an effective government in an achieving society. In the present Federal bureaucracy he will not get the support he needs. He has set about instituting the first fundamental reforms in government in modern times -- not so much innovations, as reforms of existing systems that simply do not function as required or expected. I feel this reform effort practically has to begin with the bureaucracy.

In the first instance, we ought to know more about it. The sociology of the Federal establishment desperately needs attention. Is the Washington bureaucracy really southern and midwestern? Where do the Jews fit in? What really is the role of blacks? Are Catholics the most "under represented," as would be my guess? (Is this a good thing or a bad thing?) How do the departments vary in ethnicity and culture? In brains? In morale? (Do we, for example, have the

Military Police-Air Force pattern of job satisfaction found in World War II?) We need to know much more about the relative responsiveness of different departments and bureaus to Cabinet and Presidential leadership. Is it true what they say about the State Department? Agriculture? Does the Bureau of the Budget elite actually prefer being the only really trustworthy Presidential men in the career establishment?

In the second instance, I feel we really must find ways to give the President's men much more power to move career officers around and about the government. Clearly, the present de facto boundaries are very difficult to cross, despite Commission policies. We must also find ways to reward exceptional and discourage unacceptable behavior. More men should be promoted on the spot. Some, I suspect, fired on the spot. To repeat, I know nothing of business. But my strong impression is that industry does a better job of this than government. I come from the world of universities, whose personnel policies are medieval. (As a tenured professor at Harvard, I must say I like that. But apparently not everyone does!) The Federal establishment at this point owes more to the university tradition of job tenure than to that of free enterprise, and I wonder if this is good

for us? Surely there are ways to reward long service, and protect the proper interests of employees from punitive or psychotic managers, without at the same time freezing in incompetence, intransigence, and indifference.

But I repeat, I do not know enough about the present situation to prescribe with any confidence. In your position I would certainly, however, invite the Civil Service Commissioners in and ask them why it would not be a good idea to abolish the Commission and turn personnel management over to the various agencies of the government, enabling them to compete for men in a labor market that has for three quarters of a century resembled a monopoly. At very least there needs to be an official concerned with executive personnel in the Executive Offices of the President.

Fourth, there is a need to conceptualize, design, and build a system of providing information on domestic developments to the President, and by extension, the chief officers of the government.

No one is ever satisfied with the information they get, and I can imagine that Henry Kissinger might express the same desire with respect to information on foreign affairs, but the fact is that there is a machinery for providing the President with information from abroad, and none for doing so with respect to developments at home.

It may be this reflects a desire to institutionalize the Presidency beyond what will ever be the personal wishes of the men who fill the office. It is to be doubted that the sensitivity to political and cultural nuance of mechanistic monitors set up in the Executive Office Building would exceed that of most Presidents. But there is the matter of range of attention and accuracy of reporting. The first fact here is that, with one exception, there is no internal system of reporting to the President on developments in American society save for the occasional conversation with Cabinet officers, and the fairly haphazard flow of memoranda from the departments and agencies. The exception, of course, is the economic reporting carried out by the Council. In the hands of Walter Heller or Paul McCracken this provides the President with superbly concise, cumulative, and comprehensive information on the economy. The President of the United States, if he likes, can be the best informed non-economist in the nation with respect to economic developments. I would think there is no other subject in domestic affairs of which this could be said. Ask, for example, what resources the President can turn to within the government for authoritative (i. e., best available) information on race relations, on crime, on education, on urban development, on social

mobility, on youth, on environmental change...? There will always be intelligent and informed officials available to brief the President. But their knowledge, apart from the odd bit of investigative work that is done on the criminal fringe of things, is not normally better than that of any serious observer outside the government, and often will be less good than that of a determined specialist.

This problem is compounded by the problem of the press. The plain fact, as Irving Kristol has it, is that journalism is an under-developed profession. The point here is that it seeks to be a profession, but it has not succeeded. The result is that the big papers, of which the Times is the leading example, genuinely seek to provide comprehensive, objective, accurate information about what's going on in the nation. But they can't bring it off. Anyone who has been close to any major story reported by the Times or any other serious journal (since, that is, the passing of the Herald Tribune), knows that they almost never get it straight, in the sense that they constantly report as facts things that simply aren't so, and this beyond any allowance for the Rashoman effect. It requires a daily 'willing suspension of disbelief' to read on to accounts of events one has not been involved with, and to assume that there they did get it straight.

As a consequence, to the degree the President and his officers depend upon the press, they receive a fairly steady stream of inaccurate information. (This situation might be alleviated if the journalism profession would adopt the professional habit of self-correction, but it has not, and I think will not.) Further, in accord with the sociological dictum that that which is thought to be true has the consequences of truth, this misinformation makes its way into the calculations of the government, whence the round of misunderstanding proceeds.

I must be clear that I do not suppose that things can ever be much different. Much misinformation is deliberately given out. Insiders as well as outsiders do so. I would imagine that American government officials rarely actually lie to a President, but that a good deal of information is withheld from him. On the whole this would be information that the President might use against the official concerned, or alternately that the official might keep on hand to use, at some future point, against the President. This is after all, a bloody and merciless business. But our task is to serve the Presidency, and I believe we can do a better job of providing him reasonably current and respectable accounts of what is going on out there. President Nixon recently established the National Goals Research Staff with something

like this in mind with respect to long-term trends. But today is the stuff of politics, and the Presidency is first of all a political office. I believe Presidents would be better able to lead if a better information system were developed for them.

I had best not be specific here, as I know almost nothing about information systems, and you gentlemen by and large do. I would, however, give you one thought. To my mind, the weakest aspect of the structure of the Federal Government is to be found in the regional headquarters. As you know, the Urban Affairs Council has been working at this, with perhaps some little success. I am sure the regional headquarters would be more effective organizations if they could feel someone back there in Washington was listening. Could it be that establishing some kind of reporting system from the regional headquarters to the White House would serve the double purpose of enervating the former and informing the latter?

Fifth, attention should be given to the task of informing the Federal bureaucracy of the policies and objectives of the President.

For the very reason that the civil service is, and will remain, in large measure non-political, even apolitical, if it is to become an instrument of Presidential leadership -- and that is what it should be --

channels of communication must be opened between the White House and the career service. My impression -- it is no more -- is that the civil service wants to respond to its Presidents, but typically is given few clues as to what is on the President's mind. I assume this is a problem of any large organization, but is especially so in the Federal establishment which involves such an immense range of activities, and thus of policies, and in which almost any employee of consequence has been on the job before the current Chief Executive appeared on the scene, and must expect to remain after He has been replaced. If in point three I expressed concern for the plight of the Peter Flanigans of the White House staff, consider what it has been like to be a bureau chief in a government that went from Eisenhower, to Kennedy, to Johnson, to Nixon in the space of a decade.

I have no special prescriptions here, save that I am sure the job cannot be done by newsletters, and ought not to be done by a political aide to the President. Somehow the task of ever so mildly "politicizing" the civil service has to be accomplished, and in such a way that the politics can veer left, right, and center as Presidents change or change their minds, without inducing mass schizophrenia in the bureaucracy.

Sixth, the Federal government must begin a systematic contracting out of those functions of government which are essentially service providing and which can be accomplished by private enterprise. The great advantage of private enterprises over government bureaucracies, as Peter Drucker points out, is that the former can go out of business, and the latter cannot, or at least tend not to. Arthur Burns has raised within the White House the intriguing conception of "zero budgeting," that is to say a process whereby every government function begins each budget cycle with no claim whatever on its past appropriation, but to the contrary is required to justify anew its entire appropriation for zero dollars on up. This could be an immensely stimulating technique, making it possible to free resources to do new things when old functions become obsolescent. (E. g., some years ago the House of Representatives almost passed a rider to the Agriculture appropriations bill which provided that at no time should the number of employees of the Department of Agriculture exceed the number of farmers.) Apart from the problem of the duration of the budget cycle (I don't see how zero budgeting could be practiced in a twelve month period, although this could be an excuse for breaking out of our agricultural cycle and going onto a two-year budget, or something like that) it would seem to me that the great obstacle to zero budgeting is that you just can't kill off bureaucracies. But one can decline to renew contracts. Only when we achieve a fairly high measure of

contracting out, can we look to a more flexible, adaptable budget machinery.

I hope I do not delude myself here. I am aware that the desirability of keeping the Boeing Company (or whatever) in business is taken into account in Washington, and for substantially the same reasons that surplus Naval Supply Depots are kept alive. I am also aware that in the aftermath of the Job Corps experience, for one instance, private industry has grown wary of making too much of a commitment to domestic federal programs. But the fact remains that we have got to introduce a much higher measure of flexibility, innovation, and incentive into the expenditure of Federal funds. These are concepts understood and respected in private enterprise, and it is in that direction we should turn.

May I add -- tentatively, as I know little of the matter -- that I would think the N. A. S. A. model, rather than the Pentagon model should guide us in the expansion of Federal contracting out of domestic programs. My impression of the military is that they have become rather too dependent on the companies they have created (or transformed). In contrast, N. A. S. A. seems to have started out with the premise that it would maintain intellectual/technical superiority over its contractors,

so that everything they do is done to N. A. S. A. specification, as it were, and that N. A. S. A. would have total ability to judge the quality of the product. (See point two on evaluation.) Also that N. A. S. A. would not allow its organization to become so overstrained and pre-occupied with other matters as to take the contractors work for granted. It would be evaluated "in house." I probably over-simplify. But my intent, I hope, is clear. The Federal Government must and can contract out many functions. But this can only be done successfully by raising the level and competence of the Federal managers who, as it were, remain behind to supervise the process.

A final note: contracting out need not be solely or even pre-dominantly with profit-making enterprises. Non-profit groups should be brought into the bidding, as were, and it may even be that local government units can be encouraged to bid against one another. Contracting out can provide important opportunities to provide substantial measures of "community control," which is now much in demand. But the hope may be expressed that this be done in open competition, and that poor work be labeled and treated as such, whether the contractor's putative motives are personal gain or public service.

Two further, brief points:

Seven, there probably should be established a permanent Special Assistant to the President for Government Organization. (Alternately, an Assistant Director of the Budget.) I have been impressed over the years by the degree to which the organizational structure of the Federal government continues to reflect the peculiar legislative history of the various programs enacted over the past century, and established in the Executive Branch. Almost the last thing anyone thinks of in devising a new program is where it is to be located, and how its machinery is to mesh with that already in place. No one thinks of reorganization on a continuing basis. You might ask, for example, just who in the Executive Office of the President is responsible for advising the President in the exercise of his quite formidable reorganization powers? (I suspect this situation became even more pronounced during the long reign of economists in BOB during the 1960's.) I am loathe to see the White House cluttered up with more special purpose assistants, but I believe organization is a function so central to government that there ought to be a full time man on the job. In no circumstances should this be allowed to become a career post. (Hence the need to locate it on the President's personal staff.) It should be a personal appointment of the President, a post

which he could offer to the leading executive talents of the time with the expectation that those asked would accept.

Eighth, the nature of the powers and the mandates assigned the regulatory commissions needs profound reconsideration. These are among the most powerful and simultaneously most neglected institutions of the Federal government. By and large, each is a near disaster. The regulatory agencies, to my way of thinking, have the wrong powers and the wrong mandates. At just the moment when we are learning, painfully and slowly, but nonetheless learning to regulate the economy by fiscal and monetary measures, we are if anything building into the economic structure an even greater influence of the Populist attitude toward the market place, which is to say that when anything happens that you don't like, think up a regulation and add it to the rule book.

The Federal Communications Commission is the archtype disaster. It is given an impossible task, namely to allocate extremely valuable properties among competing claimants on the basis of objective criteria of public service. There are no such criteria. Or if there are, the FCC surely has not discovered them. It has been estimated by responsible, conservative economists that about one-half the net worth of a television station resides in the FCC license. The result is inevitable: as one of

my Harvard colleagues puts it, "the allocation of licenses vacillates between incompetence and corruption." In the meantime, to assuage guilt feelings and the like, the FCC is moving to regulating the content of broadcasting following the standard liberal cliches of the rather dim men who get those jobs. It is appalling.

Clearly, broadcasting licenses should be sold. If the airways are public property, no private interest should be given the profit-making advantage thereof without paying for it. The idea that the level of programming would deteriorate is absurd. (The problem with programming is that there just isn't that much talent available in the world to fill up all those hours. Nor is there an audience for it all the time if there were. Television fails badly in one respect -- it does not use contemporary writers -- but otherwise is about what you would expect.)

The Civil Aeronautics Board is a similar case. The Interstate Commerce Commission is another, and a far more serious one. The ICC has for a generation now been the principal obstacle to the development of a balanced transportation system in the United States. What kind of government is that?

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I hope this has not been too long, and that it may be of some use.

Daniel P. Moynihan

Attachment